

Verifier Statement

Independent Verification Report

Prepared for Calvert Impact: April 26, 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Calvert Impact engaged BlueMark to undertake an independent verification of the alignment of the Community Investment Note® portfolio’s impact management (IM) system with the Impact Principles. Calvert Impact’s assets under management covered by the Impact Principles (Covered Assets) totals \$514.9 million², for the year ending 12/2022.

Summary assessment conclusions

BlueMark has independently verified the Community Investment Note® portfolio’s extent of alignment with the Impact Principles. Key takeaways from BlueMark’s assessment are as follows:

Principle 1: The Community Investment Note® portfolio has a clearly defined impact strategy that seeks to strengthen emerging and mature intermediaries to prove and scale impactful community solutions and encourage sustainable market development, aligned with the firm’s framework for capturing impact at the Investor, Portfolio, and Community levels.

Principle 2: The Community Investment Note® portfolio has a consistent impact assessment methodology, based on the ‘Build, Grow, Sustain’ framework of their proprietary Impact Scorecard, which allows the firm to manage and compare impact across the portfolio. Impact performance is linked to staff incentive systems.

Principle 3: Impact Scorecards evaluate the Community Investment Note® portfolio’s contribution strategies, which are systematically reviewed at all repayment events and evaluated in published ‘Impact at Exit’ case studies.

Principle 4: The Community Investment Note® portfolio has a standardized and consistently applied process to assess the expected impact of an investment. The Impact Scorecard is used to evaluate a potential investment along key dimensions aligned with the Impact Management Project’s five dimensions of impact.

Principle 5: The Community Investment Note® portfolio has a robust ESG assessment framework captured in each Impact Scorecard. ESG monitoring takes place quarterly, semi-annually, or annually depending on risk categorization.

Principle 6: The Community Investment Note® portfolio has developed consistently documented impact monitoring processes. Monitoring of previously agreed-upon impact KPIs against baselines is done on an annual basis.

Principle 7: The Community Investment Note® portfolio considers the sustainability of impact beyond exit by recalculating the Impact Scorecard at each event of renewal or repayment, and by conducting exit interviews with each borrower to capture learnings on exit considerations.

Principle 8: The Community Investment Note® portfolio conducts investment-level impact reviews by recalculating the Impact Scorecard at each repayment. Additionally, the Community Investment Note® portfolio has clear evidence of changes made to strategic investment decisions based on lessons learned.

¹ Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.”

² Assets under management figure as reflected in Calvert Impact’s draft Disclosure Statement as of 04/30/2023. BlueMark’s assessment did not include verification of the AUM figure.

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Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of The Community Investment Note® portfolio’s extent of alignment to the Impact Principles, using the following four ratings:³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	A D V A N C E D
2. Manage strategic impact on a portfolio basis	A D V A N C E D
3. Establish the Manager's contribution to the achievement of impact	A D V A N C E D
4. Assess the expected impact of each investment, based on a systematic approach	A D V A N C E D
5. Assess, address, monitor, and manage potential negative impacts of each investment	A D V A N C E D
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	A D V A N C E D
7. Conduct exits considering the effect on sustained impact	A D V A N C E D
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	A D V A N C E D

³ The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by Calvert Impact. BlueMark has relied on the accuracy and completeness of any such information provided by Calvert Impact. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from Calvert Impact.

⁴ The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of Calvert Impact.

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Assessment methodology and scope

Calvert Impact provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of April 2023. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.⁵

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system’s design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. Interviews with Calvert Impact staff responsible for defining and implementing the IM system;
3. Testing of selected Calvert Impact transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to Calvert Impact, outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for Calvert Impact in accordance with the agreement between our firms, to assist Calvert Impact in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Calvert Impact to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Calvert Impact’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Calvert Impact for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

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Independent Verification Report

Prepared for Calvert Impact: May 18, 2023

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, Calvert Impact engaged BlueMark to undertake an independent verification of the alignment of the Cut Carbon Note™ (IM) system with the Impact Principles. Calvert Impact's assets under management covered by the Impact Principles (Covered Assets) totals \$514.9 million², for the year ending 12/2022.

Summary assessment conclusions

BlueMark has independently verified the Cut Carbon Note™'s extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: The Cut Carbon Note™ portfolio has a clearly defined impact objective of reducing carbon dioxide emissions from commercial buildings. The carbon notes contribute to this goal by providing affordable financing for energy efficiency upgrades, and this objective is substantiated by a robust evidence base to support the portfolio's interventions.

Principle 2: Standardized Eligibility Assessments and Project Impact Reports prepared for each asset enable comparison of expected impact across the portfolio. To maximize alignment, the firm should set explicit impact performance targets linked to staff incentive systems for the Cut Carbon Note™ portfolio.

Principle 3: The Cut Carbon Note™ portfolio has a clear approach to articulating its contribution to the impact of investments, primarily through a lower cost of capital to instate efficiency upgrades, as well as providing design assistance during implementation. Periodic verification reviews allow the Cut Carbon Note™ portfolio to monitor its contribution strategies.

Principle 4: Each asset in the Cut Carbon Note™ portfolio is assessed for expected impact using the Eligibility Analysis and Project Assessment documents. Project Impact Reports quantify expected impact via energy savings and carbon reduction and Environmental Site Assessments prepared by PACE Equity assess the fit of each asset with the portfolio's impact strategy.

Principle 5: The Cut Carbon Note™ portfolio identifies and mitigates ESG risks via Environmental Site Assessments for each asset, highlighting environmental risks and suitability for upgrades. Ongoing inspection reports allow for monitoring of ESG risk events. Further, this ESG framework is aligned with Green Bond Principles and the NBI Low Carbon Standard.

Principle 6: The Cut Carbon Note™ portfolio will leverage utility monitoring tools to obtain impact data on a quarterly basis. Actual impact will be monitored against baselines and expectations set out in ex-ante Project Impact Reports.

Principle 7: Ongoing third-party inspection reports, along with the final CIRRU report that will be prepared for completed projects, represent a strategic approach to considering ways to maximize impact at the time of exit.

Principle 8: In the Cut Carbon Note™ offering materials, Calvert Impact commits to reviewing and reporting collected impact data at least semi-annually. Additionally, PACE Equity sends a survey to each property owner after the closing of the loan to request feedback on the financing experience.

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Detailed assessment conclusions

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- Advanced (Limited need for enhancement);
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- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	ADVANCED
2. Manage strategic impact on a portfolio basis	HIGH
3. Establish the Manager's contribution to the achievement of impact	ADVANCED
4. Assess the expected impact of each investment, based on a systematic approach	ADVANCED
5. Assess, address, monitor, and manage potential negative impacts of each investment	ADVANCED
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	ADVANCED
7. Conduct exits considering the effect on sustained impact	ADVANCED
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	MODERATE

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